

Introduction to Part IV

This part brings forth the ideas of Aristotle, Smith and Marx on the concepts of exchange value, money, capital, character, government and change into the 21st century. It considers key areas where these theorists do indeed offer us keen insight concerning contemporary issues around these concepts.

Bringing forward the question of what is exchange value to the 21st century, Chapter 11 introduces the controversial and enigmatic work of Piero Sraffa. I argue that in Sraffa's theoretical framework, it is not the commodity labor power which uniquely creates value or exchange value. Rather, it is any commodity, or actually all commodities, when they produce other commodities, which create or produce value. That is, commodities are commensurate simply because they are produced commodities created with the goal to be exchanged. This suggests that Sraffa is using a different theory of value from Marx and/or that Marx's labor theory of value is wrong.

Nonetheless, if in spite of the technical Sraffian criticisms on the determinants of value theory, Smith and Marx (and Aristotle) are correct concerning the genesis and functions of money, then the generalized exchange of commodities will generate a universal equivalent, that is, money. Thus, in a globalized economy, there will also be a tendency for there to be a world money. I argue that since the end of the Bretton Woods System, and the severing of the formal link between gold and most national fiat currencies, there is evidence that the US dollar is in the process of becoming world money. I discuss some of the theoretical and practical implications of this process.

Chapter 12 argues, again using Sraffa's work, that the source of property income and surplus value is not the supposed unique role and capability of labor power in the production process. It is rather the use of commodities in general to create more output than the amount used up in the production process. This conclusion is dramatized using a model of a fully automated society, of the sort first developed by Vladimir Dmitriev at the end of the 19th century. There, in spite of no workers, there still appears to be what may be termed surplus value as well as property income.

The chapter also argues that confusions over capital, and what is often considered the source of new capital, saving, are also a major source of

sophistical controversies. If Smith and especially Marx are correct, then in normal times firms should be able to finance their own economic expansion and accumulate wealth, capital and savings. That is their goal; that is what they generally do. Limits on saving are not inhibiting economic growth; a lack of saving is not a cause of the current problems in the advanced capitalist countries. However, on another hand, Smith's work suggests that lying, thieving, incompetent managers are likely a major cause of current economic difficulties. The chapter approaches the issue of managers and their character from the context of the 20th century literature on the likely convergence of communist and capitalist systems due to technological and managerial challenges common to both systems. This convergence has led to critical problems with our managers in many of the major countries in the world.

Chapter 13 emphasizes Aristotle's concern that governments will have a tendency to become corrupt and rule in the interests of the governing, rather than in the interest of society at large; and discusses the applicability of this concern to the recent administration of George W. Bush. It also considers the concern of Smith (and Marx) that governments will rule in the interest of the rich and powerful, especially in the unduly narrow, short-run interests of the quite untrustworthy businessmen/capitalists. It also argues that over time, in the absence of general worldwide regulations on capital, there will be a tendency for wage, regulatory and tax arbitrage. As Marx stressed, regulations on capital need to cover the entire economic domain. Otherwise, capital will move or threaten to move to where wages and taxes on property income are lower, and regulations on capital are fewer or not enforced. This movement (and/or threatened movement) is currently weakening the tax basis of the modern liberal welfare state, and the middle class in all the advanced capitalist countries.

Finally, I argue that the decline of putatively communist societies at the end of the 20th century may¹ to some extent be viewed as a decline or failure of reason itself. One result of this is that protest movements in the 21st century now tend to take the form of enthusiastic, revealed, supernatural religious movements, as described and feared by Smith. Thus, to some extent we in the 21st century are back to the concerns of Smith, where overly rigorous religious movements were often the vehicle for social protest, rather than secular Marxist movements putatively based upon human reason. In some ways, our contemporary, possibly post-modern world seems to be recycling back to the pre-modern world. How strange; rather unexpected too.

¹ And in practice has.